<u>REMARKS</u>

This is a Continuation application based on Ser. No. 08/901,687, filed July 28, 1997, now allowed ("parent application"). In the parent application, Claims 1-5, 7-15, 17-19 were rejected in the Office Action mailed July 06, 1999, and these were the only rejected claims identified in that Office Action. The Applicants now address the substance of the objections and rejections of that Office Action in the context of the amended claims. No new matter is added.

ISSUES NOT BASED ON PRIOR ART

1. SPECIFICATION

The first Office Action in the parent application objected to the specification as containing grammatical errors and typographical errors. Applicant has thoroughly reviewed the specification and corrected it in this amendment. Applicant believes that all informalities have been addressed.

2. ANTECEDENT BASIS

The second Office Action of the parent application (paper number 11, mailed July 06, 1999) objected to certain claims based on lack of antecedent basis. The Applicant has carefully reviewed and amended the claims to address all antecedent basis issues.

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REJECTIONS BASED ON PRIOR ART

1.   CLAIM REJECTIONS - 35 U.S.C. § 103(a) (ROSE, GOPINATHAN, TOM)

Claims 1-5, 7-9 and 11-15 of the parent application were rejected under 35 U.S.C. § 103(a) as being unpatentable over ROSE (5757917) in view of GOPINATHAN (5819226) and TOM (5696907). The rejection is traversed.

As a threshold matter, Applicants respectfully suggest that the analytical approach taken by the second Office Action is legally improper. Specifically, in the discussion of former claim 1, pages 6-8 of the second Office Action argue that individual steps or features of the claims are obvious. This is improper. The correct approach addresses the combination recited in the <u>claim as a whole</u>, <u>Stratoflex, Inc. v. Aeroquip Corp.</u>, 713 F.2d 1530, 218 USPQ 871 (Fed. Cir. 1983); MPEP § 2141.02. The Office Action may not pick and choose elements of the claimed combination, assert that any individual element would have been obvious, and then reject the claimed combination as obvious, absent a teaching or suggestion in the art to create the <u>entire combination</u> of the <u>claim as a whole</u>.

The new claims recites a method and system providing distinct improvement over AVS systems. Independent Claims 17, 24, 28, 29, and 30 feature, among other things, verifying the credit card information based upon an Internet identification system that

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determines whether a physical address specified in the transaction information is consistent with other physical addresses that have been specified in a database of records of other transaction information for other transactions that are associated with the Internet address of the consumer.

The second Office Action of the parent application addressed this feature in the context of former Claim 2. Specifically, the Office Action contended that TOM discloses "an Internet identification system parameter" in the form of "residence stability." This is incorrect and appears to reflect a misunderstanding of the meaning of "Internet identification system."

Each of the new independent claims features verifying the credit card information based upon an Internet identification system that determines whether a physical address specified in the transaction information is consistent with other physical addresses that have been specified in a database of records of other transaction information for other transactions that are associated with the Internet address of the consumer. TOM's concept of "residence stability" is not the "Internet identification system" as claimed. TOM's teaching of "residence stability," at best, suggests a determination of whether a loan applicant is transient, i.e., the applicant has had multiple residence addresses in a short period of time. This is a completely different concept from that of the independent claims - i.e., whether the consumer has given

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different "ship-to" addresses in past Internet transactions, as indicated by information that is associated with the consumer's Internet address, e.g., an email address, IP address, or other unique online identifier.

With regard to former Claim 1, the Office Action states:

"[TOM] teaches: - each of the transaction values being weighted according to an importance, as determined by the merchant or from past experience, of that value to the credit card transaction, so as to provide a merchant with a quantifiable indication of whether the credit card transaction is fraudulent (see column 5, lines 24-67 and column 6, lines 1-46; Figure 7, a neural network is used to provide risk and credit evaluations of newly proposed financial service applications based upon a plurality of parameters which are weighted according to the information contained therein). ... It would have been obvious to one having ordinary skill in the computer and business arts at the time of applicant's invention to combine the teachings found in Rose and Gopinathan et al. with Tom's teachings, which shows weighting various parameters in an instant credit application based upon a credit manager's past experience to provide indications of credit worthiness for purposes of evaluating financial service applications. One having ordinary skill in the computer and business arts at the time of applicant's invention would have been motivated to combine the ... teachings to get the advantage of placing a greater significance upon certain weights over others in verifying whether an instant credit card transaction is fraudulent...."

Applicant disagrees. The argument glosses over differences between the claimed invention and the teachings of the references. The "parameters" in TOM are different from the parameters of the present application. TOM describes weighting nodes of a neural network in which each node corresponds to a <u>value</u> of a variable that describes the consumer. In contrast, the weighting parameters

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that are disclosed and claimed by Applicant are different classes of _tests_ or _checks_ rather than individual variable values.

In Applicant's disclosure, a "parameter" is a test or check, not a scalar value. This usage may be unconventional, which is permitted, and it is not the same usage as TOM.

Further, risk and credit evaluations of newly proposed financial service applications, or "instant credit applications," as described in TOM, are not the same as fraud detection in a credit card transaction. Risk and credit evaluations involve determining the _creditworthiness_ of an applicant for a loan or other financial service. For example, such evaluations may determine whether the consumer has sufficient available credit to complete a desired transaction. In contrast, fraud detection involves determining whether a consumer offering a credit card number is not actually the cardholder. Applicant has discovered that fraud detection can be carried out effectively based on external transaction information rather than information describing the consumer, including the consumer's amount of available credit. The risk and credit evaluations contemplated by TOM do not involve a loan applicant falsifying his or her identity. In short, TOM addresses a different problem and is improperly combined with ROSE and GOPINATHAN.

Moreover, the claimed invention does not involve verifying whether "an instant credit card transaction" is fraudulent. The Office Action appears to coin this term in order to suggest an

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association of the claimed invention and TOM. This terminology is incorrect and not used in the specification or claims.

Claim 18 elaborates on the Internet identification system feature of Claim 17 by specifically reciting a particular mechanism for obtaining the Internet identification information, and determining whether a physical address contained in each of the plurality of records matches the shipping address in the transaction information. This specific comparison is not shown in the art of record.

Claim 19 specifically features use of the consumer's email address as one kind of identification element in the Internet identification system. The combination of steps in Claim 19 is not taught or suggested by the art of record.

Claim 20 specifically features use of a map of other transactions in combination with the steps of Claim 17. A similar feature was found allowable in the parent application.

Claim 21 features weighting each of the verifying steps according to an imporance as determined by the merchant of each verifying step. For the reasons given above with respect to the weighting feature of former claim 1, Claim 21 is allowable.

Claim 22 features receiving records of other transactions from other merchants and updating the transaction history database accordingly. The shared database feature of Claim 22 is not found in the art of record. The Office Action addresses this feature in the context of former Claim 3 and Claim 4, and argues official

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notice. Reliance on official notice is improper because the subject

matter of the official notice is not "capable of instant and

unquestionable demonstration as being 'well-known' in the art," <u>see</u>

MPEP § 2144.03. Applicant requests the Office to cite a specific

reference to substantiate the basis for the official notice.

Conventional practice is for a merchant to secure its own database

and prevent third parties, including other merchants, from adding

to it. Conventional practice is for the merchant to look only in

its own database for records of past transactions with the same

consumer.

Claim 23 features receiving records from other merchants and

updating the Internet identification system database. The shared

database feature of Claim 23 is not found in the art of record.

Each of new claims 24-30 features one or more of the foregoing

features and is believed to be allowable for the corresponding

reasons set forth above.

Specifically, Claim 24 recites use of a consistency check

mechanism, transaction history check mechanism, automatic

verification system, and the Internet identification system. The

Office Action asserts that TOM teaches such features, however, TOM

does not teach a consistency check parameter which is used to

determine whether the credit card information is consistent. TOM

teaches analysis of information including residence stability. In

contrast, Applicant discloses and claims a consistency check

parameter, which allows one to determine whether the credit

information is consistent, i.e., does the credit information match the user. See Specification at page 5. Residence stability information (whether a consumer has several different past addresses) is not the same as testing whether the credit information supplied by the consumer matches the consumer.

TOM does not teach a history check parameter. TOM describes considering credit history information. However, the claimed transaction history check is not credit history information; it is information about prior transactions carried out by the same consumer.

TOM does not teach an Internet identification system parameter as claimed. The Office Action suggests that the "residence stability" information of TOM is an Internet identification system parameter, but information about whether a consumer has had multiple residence addresses in a short period of time is not the same as determining whether the same credit card is being used by a consumer claiming several different Internet addresses.

Claim 24 includes an automatic verification system mechanism. Addressing canceled Claim 2, the Office Action states that an automatic verification system parameter is obvious and that applicant admits it is prior art.

Applicant disagrees. Admitting that a particular element is known in the art is not an admission that a combination of that element with others would have been obvious. Carrying out credit card verification, through manual observation or use of an AVS

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system, is old. But the selection and use of an AVS system, in combination with particular parameters that represent external factors, or information in combination with consumer-identifying information, is not shown in the art of record. There is no suggestion in the art of record to combine an AVS system with the teachings of the cited art.

For the reasons given above, the new claims are believed to be in allowable condition in light of the art of record.

CONCLUSION

For the reasons set forth above, it is respectfully submitted that all of the pending claims are now in condition for allowance. Therefore, the issuance of a formal Notice of Allowance is believed next in order, and that action is respectfully requested.

The Examiner may contact the undersigned by telephone if such contact would further the examination of the present application.

Petition for Extension: Applicant hereby petitions, under 37 C.F.R. 1.136, for such extensions of time as may be necessary to cause this Preliminary Amendment and the associated Continuation application to be timely on the filing date granted to it by the Office.

The Commissioner is authorized to charge any fees due in connection with this response, and to credit any overpayment to

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Deposit Account No. 50-0385. A duplicate of this paper is filed herewith.

                                    Respectfully submitted,

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